

LAUDERDALE COUNTY AMBULANCE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

LAUDERDALE COUNTY AMBULANCE AUTHORITY

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MARTHA CRITES

Certified Public Accountant

115 South Front • Halls, TN 38040
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County Mayor of Lauderdale County
Lauderdale County Ambulance Authority
Ripley, Tennessee

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities and the major fund of the Lauderdale County Ambulance Authority of Lauderdale County, Tennessee, a separately reported special revenue fund of Lauderdale County, (the Authority), as of and for the year ended June 30, 2010, as listed in the table of contents and the respective budgetary comparison for the Ambulance Authority. These financial statements are the responsibility of The Lauderdale County Ambulance Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the financial statements present only the financial position of the Lauderdale County Ambulance Authority and do not purport to, and do not, present fairly the financial position of Lauderdale County, Tennessee as of June 30, 2010, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lauderdale County Ambulance Authority, a separately reported special revenue fund of Lauderdale County, at June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the Ambulance Authority thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 2, 2010, on my consideration of The Lauderdale County Ambulance Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 3-5 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Martha Crites CFA

November 2, 2010

**LAUDERDALE COUNTY AMBULANCE AUTHORITY
RIPLEY, TENNESSEE 38063**

Management's Discussion and Analysis

The following discussion and analysis of the Lauderdale County Ambulance Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Lauderdale County Ambulance Authority exceeded its liabilities at the close of the most recent fiscal year by \$498,722 (*net assets*). Of this amount, \$318,091 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The remaining amount, \$180,631 (*invested in capital assets*) reflects the net assets invested in capital assets.
- The total net assets decreased by \$163,588 for the fiscal year ended June 30, 2010.
- The Ambulance Authority ended the year June 30, 2010 with cash of \$79,495, representing a increase of \$31,294 over the year. None of this cash is restricted for specific purposes. Amounts invested in certificates of deposits decreased by \$137,485.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lauderdale County Ambulance Authority's financial statements. The financial statements consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the Lauderdale County Ambulance Authority's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Lauderdale County Ambulance Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Ambulance Authority is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected ambulance revenue and accounts payable). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Fund financial statements.

A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. *Government funds* are used to account for the Authority's basic services. The governmental fund statements provide a detailed short-term view of the Authority's general government operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash.

Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's program. The differences of the results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

Notes to the financial statements.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including a budgetary comparison schedule.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Lauderdale County Ambulance Authority, assets exceeded liabilities by \$498,722 at the close of the fiscal year. The largest portions of the Ambulance Authority's assets are capital assets (35%), receivables and (50%). The investment in property, plant and equipment are used to provide services to citizens. Consequently, these assets are not available for future spending.

Lauderdale County Ambulance Authority's Net Assets

	2010	2009
Current assets	\$ 335,946	\$ 422,391
Capital assets	180,631	246,920
Total assets	<u>\$ 516,577</u>	<u>\$ 669,311</u>
Current liabilities	\$ 17,855	\$ 7,001
Net assets invested in capital assets	180,631	246,920
Net assets--unrestricted	318,091	415,390
Total liabilities and net assets	<u>\$ 516,577</u>	<u>\$ 669,311</u>

**Lauderdale County Ambulance Authority's
Statement of Activities**

	2010	2009
Program revenues	\$1,015,011	\$ 963,143
Program expenses	1,187,324	1,183,158
Interest income and other income	8,725	22,230
Change in net assets	<u>\$(163,588)</u>	<u>\$(197,785)</u>
Net assets at beginning of period	662,310	860,095
Net assets at end of period	<u>\$ 498,722</u>	<u>\$ 662,310</u>

Budgetary Highlights

Differences between the final budget and the final operations were \$(321,849). Operating revenues were \$384,989 less than anticipated and operating expenses were \$64,415 less than anticipated.

Capital Assets

The Lauderdale County Ambulance Authority's investment in capital assets was \$180,631 (net of accumulated depreciation) as of June 30, 2010. This reflects equipment purchased in recent years. Capital assets purchased prior to June 30, 2004 have been reported by Lauderdale County.

Future Projections

The Lauderdale County Ambulance Authority projects no significant changes in operations for the coming periods. However, due to recent losses, the Authority is working harder to increase revenues and reduce costs. The Ambulance Authority raised its rates for the year ended June 30, 2010 to provide the operating income necessary to manage the Authority. Revenue is highly dependent on Medicare, Medicaid, and insurance rules and regulations and is limited in its ability to generate additional revenue.

Requests for Information

This financial report is intended to provide an overview of the finances of the Ambulance Authority's finances for those with an interest in this organization. Questions concerning any information within this report may be directed to the Lauderdale County Ambulance Authority Director, 685 Highway 51 S, Ripley, Tennessee 38063.

Beverly Bates
Director

**LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

ASSETS

Cash and cash equivalents	\$ 79,495
Accounts receivable (net of allowance for doubtful accounts of \$ 512,705)	256,451
Capital assets	
Equipment	357,370
Accumulated depreciation	<u>(176,739)</u>
 Total Assets	 <u>\$ 516,577</u>

LIABILITIES

Accounts payable	\$ 5,726
Accrued payroll	<u>12,129</u>
 Total Liabilities	 <u>17,855</u>

NET ASSETS

Invested in capital assets	180,631
Unrestricted	<u>318,091</u>
 Total Net Assets	 <u>498,722</u>
 Total Liabilities and Net Assets	 <u>\$ 516,577</u>

The notes to the financial statements are an integral part of this statement.

**LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Lauderdale County Ambulance Authority	<u>\$ 1,187,324</u>	<u>\$ 1,015,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172,313)</u>
Other income					7,046
Interest					<u>1,679</u>
Change in net assets					(163,588)
Net assets at beginning of period					<u>662,310</u>
Net assets at end of period					<u>\$ 498,722</u>

The notes to the financial statements are an integral part of this statement.

**LAUDERDALE COUNTY AMBULANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2010**

ASSETS

Cash and cash equivalents	\$ 79,495
Accounts receivable (net of allowance for doubtful accounts of \$ 512,705)	<u>256,451</u>
Total Assets	<u>\$ 335,946</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 5,726
Accrued payroll	<u>12,129</u>
Total Liabilities	17,855
Fund balance	
Unrestricted	<u>318,091</u>
Total Liabilities and Fund Balance	<u>\$ 335,946</u>

**RECONCILIATION OF THE STATEMENT OF NET ASSETS OF
GOVERNMENT FUNDS TO THE BALANCE SHEET**

Amounts reported for governmental activities in the statement of net assets are
different because:

Total fund balance per balance sheet	\$ 318,091
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	357,370
Accumulated depreciation in governmental activities are not a use of financial resources and are not reported in the funds	<u>(176,739)</u>
Net assets of governmental activities	<u>\$ 498,722</u>

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES

Services	\$ 1,015,011
Other income	7,046
Interest revenue	<u>1,679</u>
 Total Revenues	 \$ 1,023,736

EXPENDITURES

Salaries	\$ 698,048
Employee insurance and medical expense	120,091
Insurance	56,442
Payroll taxes	54,356
Retirement expense	44,874
Gasoline and diesel	42,628
Medical and cleaning supplies	37,145
Maintenance and repair	24,776
Utilities	6,635
Office supplies	6,204
Telephone	5,600
Professional services	4,150
Education	3,374
Medical director	3,000
Collection agency	2,855
Data processing supplies	2,704
Oxygen	2,207
Miscellaneous	2,195
Travel	1,652
Licenses	1,500
Dues and subscriptions	265
Bank charges	224
Uniforms	<u>110</u>
 Total expenditures	 <u>1,121,035</u>
 Net change in fund balance	 (97,299)
 Fund balance, July 1	 <u>415,390</u>
 Fund balance, June 30	 <u>\$ 318,091</u>

The notes to financial statements are an integral part of this statement.

**LAUDERDALE COUNTY AMBULANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance--government funds	\$ (97,299)
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Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceed depreciation in the current period

(66,289)

Change in net assets of governmental activities	<u>\$ (163,588)</u>
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The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Services	\$ 1,400,000	\$ 1,400,000	\$ 1,015,011	\$ (384,989)
Interest revenue	<u>10,000</u>	<u>10,000</u>	<u>8,725</u>	<u>(1,275)</u>
Total Revenues	1,410,000	1,410,000	1,023,736	(386,264)
EXPENDITURES				
Salaries	\$ 739,500	\$ 709,500	\$ 698,048	\$ 11,452
Employee insurance and medical expense	80,000	119,223	120,091	(868)
Insurance	65,000	56,500	56,442	58
Payroll taxes	55,000	55,000	54,356	644
Retirement expense	40,000	50,342	44,874	5,468
Gasoline and diesel	50,000	50,000	42,628	7,372
Medical and cleaning supplies	40,000	40,000	37,145	2,855
Maintenance and repair	25,000	25,000	24,776	224
Capital assets	25,000	25,000	-	25,000
Utilities	9,500	9,500	6,635	2,865
Office supplies	7,000	7,000	6,204	796
Telephone	7,000	7,000	5,600	1,400
Professional services	4,200	4,200	4,150	50
Education	10,000	4,360	3,374	986
Medical director	3,000	3,000	3,000	-
Collection agency	3,000	3,000	2,855	145
Data processing supplies	4,000	4,000	2,704	1,296
Oxygen	4,000	4,000	2,207	1,793
Miscellaneous	2,000	2,200	2,195	5
Travel	2,500	2,300	1,652	648
Licenses	2,000	2,000	1,500	500
Dues and subscriptions	1,000	1,000	265	735
Bank charges	250	250	224	26
Uniforms	<u>6,500</u>	<u>1,075</u>	<u>110</u>	<u>965</u>
Total expenditures	<u>1,185,450</u>	<u>1,185,450</u>	<u>1,121,035</u>	<u>64,415</u>
Net change in fund balance	224,550	224,550	(97,299)	(321,849)
Fund balance, July 1,	<u>415,390</u>	<u>415,390</u>	<u>415,390</u>	<u>-</u>
Fund balance, June 30	<u>\$ 639,940</u>	<u>\$ 639,940</u>	<u>\$ 318,091</u>	<u>\$ (321,849)</u>

The notes to financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1: Summary of Significant Accounting Policies

The Lauderdale County Ambulance Authority (the Authority) is a special revenue fund of Lauderdale County, Tennessee. Financial statements of the Authority are consolidated into the financial statements of Lauderdale County, Tennessee. The Authority is governed by a committee of the Lauderdale County Commission and provides ambulance services to the citizens of Lauderdale County.

The accounting and reporting policies of the Authority relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the Authority are described below.

Reporting Entity

The Authority, for financial purposes, includes all the funds relevant to the operations of the Lauderdale County Ambulance Authority. The Authority is a separately reported fund of Lauderdale County Tennessee.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority. There is no interfund activity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Accounts receivable are reduced by an allowance for uncollectible accounts. The

LAUDERDALE COUNTY AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

Authority has one fund, which is a self-balancing account comprised of its assets, liabilities, fund equity, revenues and expenditures/expenses.

Assets, Liabilities, and Net Assets

Cash and Cash Equivalents—Cash and cash equivalents consist of the following:

Cash in bank	\$ 79,447
Cash on hand	<u>48</u>
Total	<u>\$ 79,495</u>

Capital Assets and Depreciation—Capital assets are comprised of equipment purchased by the Authority for the past six years. All capital assets are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Assets purchased prior to July 1, 2004 are reflected within the financial statements of Lauderdale County in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34 (as amended by Statement No. 37) and are not included in these financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the vehicles and equipment are five years. Total depreciation expense was \$66,289 for the year ended June 30, 2010.

Allowance for Uncollectible Accounts—The Authority's allowance for estimated uncollectible receivables at June 30, 2010 was \$512,705.

Compensated Absences—The Authority pays employees the value of all accumulated vacation and personal days prior to the end of the fiscal year. Therefore, no compensated absences are reflected within these statements.

Estimates—Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Note 2: Reconciliation of Government and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances of government funds includes a reconciliation between net changes in fund balances—governmental funds and changes in net assets of governmental activities as reported in the government-wide financial statement of activities. The element "Government funds report capital outlays as expenditures" consists of:

Capital outlay	\$ 0
Depreciation expense	<u>66,289</u>
Net adjustment	<u>\$ 66,289</u>

LAUDERDALE COUNTY AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3. Stewardship, Compliance, and Accountability

Budgetary information—An annual budget is adopted by the Ambulance Committee of the Lauderdale County Commissioners on a basis consistent with generally accepted accounting principles and the budget is approved by the Lauderdale County Commissioners. Amendment require the approval of the County Commissioners. All annual appropriations lapse at fiscal year end.

Excess of expenditures over appropriations—Revenues were less than budgeted revenues and total expenditures were less than total budgeted expenditures. The Ambulance Authority had no material excess of expenditures over appropriations.

Note 4. Detailed Notes on All Funds

Cash and investments

Cash in banks is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2010, all deposits were covered by FDIC. Under the laws of Tennessee, the Ambulance Authority is authorized to invest with obligations of the United States or its agencies, direct obligations of the State of Tennessee or its agencies, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, certificates of deposit if insured by a Federal Deposit Insurance Corporation or the Tennessee Collateral Pool. During the year ended June 30, the Ambulance Authority did not own any types of securities other than those permitted by statute.

Capital assets

Fixed assets are summarized as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets being depreciated:				
Vehicles	\$ 289,295	\$ 0	\$ 0	\$ 289,295
Equipment	<u>68,075</u>	<u>0</u>	<u>0</u>	<u>68,075</u>
Subtotals	357,370	0	0	357,370
Less accumulated depreciation for:				
Vehicles	82,199	53,223	0	135,422
Equipment	<u>28,251</u>	<u>13,066</u>	<u>0</u>	<u>41,317</u>
Subtotals	<u>110,450</u>	<u>66,287</u>	<u>0</u>	<u>176,739</u>
Total capital assets, being depreciated, net	<u>\$ 246,920</u>	<u>\$ (66,289)</u>	<u>\$ 0</u>	<u>\$ 180,631</u>

Assets purchased prior to July 1, 2004 have previously been incorporated in the financial statements of Lauderdale County, Tennessee.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4. Detailed Notes on All Funds (continued)

Pension plan

The pension fund of the Lauderdale County Ambulance Authority is included in the total retirement program for Lauderdale County, Tennessee under the Tennessee Consolidated Retirement System. Five percent (5%) is deducted from the employee's checks and the Ambulance Authority pays a percentage match of 7.96% to fund the employees retirement. Retirement is based on thirty years of service or reaching the age of sixty. For details relative to the funding status and progress, actuarial determined contribution requirements and contributions made, and trend information refer to the Comprehensive Annual Financial Report for Lauderdale County.

Note 5. Other Information

Risk management

The Authority is exposed to various risks of loss related to torts, theft of; damage to; and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority has purchased commercial insurance for all of the above risks. Settled claims have not exceeded this coverage in any of the past three years.

Concentration of credit risk

The Authority receives its operating funds from governmental agencies, private insurance companies, and citizens served. While the Authority has a broad consumer base, the ability of payment is dependent on the economic conditions of the area.

MARTHA CRITES

Certified Public Accountant

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(731) 836-5987

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

County Mayor of Lauderdale County
Lauderdale County Ambulance Authority
Ripley, Tennessee

I have audited the financial statement of Lauderdale County Ambulance Authority, a special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2010 and have issued my report dated November 2, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lauderdale County Ambulance Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ambulance Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lauderdale County Ambulance Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements of a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings, Recommendations, and Replies, that I consider to be significant deficiencies in internal control over financial reporting and material weaknesses. (2010-01, 2010-02, and 2010-03). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Ambulance Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Lauderdale County Ambulance Authority's response to the findings identified in my audit are described in the accompanying Schedule of Findings, Recommendations, and Replies. I did not audit Lauderdale County Ambulance Authority's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Lauderdale County Ambulance Authority management, the Lauderdale County Commissioners, and the Tennessee State Comptroller's Office and other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

November 2, 2010

Martha Crites CPA

**LAUDERDALE COUNTY AMBULANCE AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES
FOR THE YEAR ENDED JUNE 30, 2010**

STATUS OF PRIOR FINDINGS

- 2009-01** Due to the small size of the organization, there is a lack of segregation of duties over some accounting functions. See finding 2010-01. This condition continues to exist.
- 2009-02** Annual audit adjustments are necessary each year to convert the books and records from fund financial statements to government-wide financial statements. See finding 2010-02. This condition continues to exist.
- 2009-03** The Ambulance Service maintains monthly financial records so that reasonable operations can be maintained. The Ambulance Service does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Ambulance Service has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system. See finding 2010-03. This condition continues to exist.
- 2009-04** The Ambulance Service does not pay the employees of the Ambulance Service in accordance with the written policies of the Service. See finding 2010-04. This condition continues to exist.

CURRENT FINDINGS

- 2010-01** Due to the small size of the organization, there is a lack of segregation of duties over some accounting functions.
- Recommendation: Whereas segregation of accounting functions in a small organization is not totally feasible, steps should be considered to segregate duties whenever possible. We recommend that a review of accounting functions be performed and such functions be segregated to the extent feasible.
- Response: Due to economic constraints, complete implementation of this recommendation is not feasible.
- 2010-02** Annual audit adjustments are necessary each year to convert the books and records from fund financial statements to government-wide financial statements.
- Recommendation: Additional accounting guidance should be obtained to eliminate the need for annual audit adjustments.
- Response: Our system is capable of maintaining the records on the fund basis. We maintain the information to prepare the government-wide financial statements but do not convert the books to the additional basis.
- 2010-03** The Ambulance Service maintains monthly financial records so that reasonable operations can be maintained. The Ambulance Service does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Ambulance Service has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system.

Recommendation: The Ambulance Service should employ or utilize the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and the related notes.

Response: The employment or utilization of the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and related notes are not economically feasible at this time.

2010-04

The Ambulance Service does not pay the employees of the Ambulance Service in accordance with the written policies of the Service.

Recommendation: The Ambulance Service should rewrite its payroll policies to address the following situations: salaried employee's policies vs. hourly employee's policies, payment of unused overtime, sick time policies and procedures and comp-time policies. Clarification is also needed for employees working twenty-four hour shifts. Overtime pay for call out time during designated sleep time is not clear. The policy should be reviewed to ensure that all policies are clear and not ambiguous.

Response: We concur with the recommendation and will evaluate the policies as soon as possible.